

This record is a partial extract of the original cable. The full text of the original cable is not available.

160927Z Mar 05

C O N F I D E N T I A L LAGOS 000416

SIPDIS

SENSITIVE BUT UNCLASSIFIED - HANDLE ACCORDINGLY

STATE FOR AF/W

E.O. 12958: DECL: 03/16/2015

TAGS: [ECON](#) [NI](#)

SUBJECT: MTS FIRST WIRELESS ROLLOUT SET BACK TWO MONTHS BY
MANAGEMENT TAKEOVER ATTEMPT

REF: LAGOS 167

Classified By: CONSUL GENERAL BRIAN BROWNE FOR REASONS 1.4 (b) AND (d)

1. (SBU) As MTS First Wireless (MTS) tries to recoup from a very open and public feud between rival factions in the Board of Directors (reftel), its Senior Vice President, AMCIT Charles Kimbrough, estimated the company's rollout has been delayed at least two months. Kimbrough recently returned to Nigeria after going to the US to avoid alleged police intimidation and arrest threats purportedly fueled by the rival faction of the MTS Board. Nigeria's telecom market is extremely competitive and MTS has yet to prove itself a viable entrant in this demanding market. However, MTS maintains it will be profitable once it has a foothold established.

2. (U) MTS rollout, so far limited to Lagos, Abuja, and Port Harcourt, has been in abeyance since the board of directors split into two factions due to requests by MTS's primary investors (chiefly banks) to scale back board membership and dissolve its management board. Dismissed board members reportedly petitioned the Nigerian Economic and Financial Crimes Commission (EFCC) to investigate the company and allegedly encouraged the local police to harass the company, the remaining board members, and some key employees, according to Kimbrough and MTS corporate affairs manager. The EFCC investigation continues into alleged improprieties such as: the company restructuring was not agreed upon by all board members; non-payment of import duties on telecom equipment; and share allocations between US investor, MTS Inc., and other investors were never agreed to by all board members. Standing MTS board members maintain MTS innocence.

3. (SBU) Kimbrough speculates that dismissed board member, Obafemi Olapade, was the fillip behind the swift EFCC response. Olapade is a friend of President Obasanjo. Olapade and several other directors were brought on to the MTS board because their political connections played a key role convincing the Nigerian Communications Commission in 2002 to reinstate MTS's fixed wireless license, revoked during the Abacha regime.

4. (SBU) Sensing that the public spat was damaging all of them financially, the two rival factions moved to pacify investors through tentative "peace agreements". All members of the original board and management board have been reinstated for four months as a stabilizing move to quell customer and investor uncertainty.

5. (C) Comment: MTS First Wireless is 44 percent owned by US-based MTS Inc. MTS Inc. senior staff members have close ties to Nigeria, several hold dual citizenship. MTS Inc. and other investors have, since 2002, sunk millions of dollars into MTS with little return. Going against the stream of risk-aversion that keeps many US companies out of Nigeria, MTS Inc. investors want to succeed here. MTS Inc. believes the Nigerian market can be profitable if you have the stomach for its ups and downs. What the latest episode teaches is that Nigeria remains a rough and tumble business environment where much hinges on political connections often more than business acumen. Here, the political connections may open the door, but if those connections go sour, they may also swing the door shut. Thus, while the removal of some board members may have made business sense, the political realities have bucked against it. To move forward, MTS will have to more skillfully balance its financial/business considerations against the potential fallout of alienating influential members of its board. This is business Nigerian style. End comment.
BROWNE